

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**

In the Matter of the Nebraska Public Service Commission, on its own motion, to make adjustments to the universal service fund mechanism established in NUSF-26.

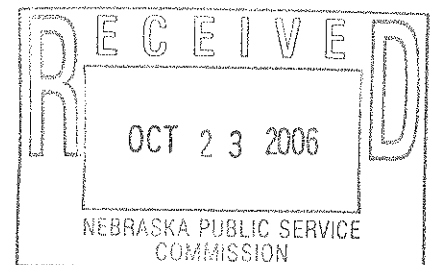
Application No. NUSF-50

In the Matter of the Commission, on its own motion, seeking to determine the level of the fund necessary to carry out the Nebraska Telecommunications Fund Act.

Application No. NUSF-4

**REPLY TESTIMONY OF BRIAN K. STAIHR  
ON BEHALF OF  
UNITED TELEPHONE OF THE WEST d/b/a EMBARQ**

**October 23, 2006**



1    **Q.    Please state your name, title, and business address.**

2

3    **A.    My name is Brian K. Staihr. I am employed by Embark Corporation as Director-**  
4           **Policy / Regulatory Economist in the Department of Law and External Affairs.**  
5           **My business address is 5454 W. 100<sup>th</sup> Street, Overland Park, Kansas 66211.**

6

7    **Q.    Are you the same Brian K. Staihr who filed direct testimony in this proceeding**  
8           **on September 28, 2006?**

9

10   **A.    Yes I am.**

11

12   **Q.    What is the purpose of your reply testimony?**

13

14   **A.    In my reply testimony I respond to the direct testimony of Mr. David Ruhland on**  
15           **behalf of Citizens Communication Company of Nebraska d/b/a/ Frontier**  
16           **Communications of Nebraska regarding the NUSF surcharge.**

17

18   **Q.    On page 2 of his testimony Mr. David Ruhland states that the Commission**  
19           **should not raise the NUSF surcharge. What reasons does he provide in his**  
20           **testimony for not increasing the surcharge?**

1

2    A.    He provides two reasons. First he suggests that "raising the surcharge shortly  
3           after it was lowered sends a confusing message to Nebraska consumers."  
4           Second, he states that Frontier is concerned about "increased reliance on NUSF  
5           contributions." He suggests that NUSF support should not be considered a long-  
6           term source of funding and discusses increasing end-user charges. Embargo  
7           witness Mr. Mark Harper addresses the second reason in his reply testimony, at  
8           pages 5-7.

9

10   Q.    With regard to the first reason, does Mr. Ruhland offer any supporting  
11           argument, data or analysis to suggest that increasing the surcharge actually  
12           will cause confusion among Nebraska customers?

13

14   A.    No he does not.

15

16   Q.    Do you share his belief that returning the surcharge to its original level will  
17           send a confusing message to Nebraska consumers?

18

19   A.    No, for the following reasons. First, as discussed in my direct testimony, we  
20           know that customers tend to evaluate their entire bill rather than each individual

1 component. We also know that many customers' total bills change monthly for a  
2 variety of reasons. If long distance calling is included in the bill it will change  
3 monthly depending on calling patterns. The bill may change monthly due to  
4 calls the customer makes to directory assistance. The federal universal service  
5 charge that customers pay will change quarterly as the federal contribution  
6 factor is changed, changing the customer's bill. And even if the federal USF  
7 contribution factor remains the same from one month to another, it often will be  
8 applied to different amounts of interstate toll calling from month to month,  
9 producing a different charge on the customer's bill.

10  
11 More importantly, because the NUSF surcharge is a percentage, and not a flat  
12 fee, the surcharge itself—expressed in dollars and cents—changes from month to  
13 month depending on the customer's calling patterns. Many of Mr. Ruhland's  
14 customers may have already witnessed numerous month-to-month changes in  
15 the dollar amount of their NUSF surcharge that exceed the proposed adjustment,  
16 just because the volume of intrastate services they purchased (such as intra-  
17 LATA toll) changed from month to month.

18  
19 Simply stated, it is not at all unusual for customers to see their bills change by  
20 small amounts (and sometimes by not-so-small amounts) from month to month.

1 In fact, a customer's bill that does not change somewhat, but remains exactly the  
2 same from month to month is the exception, not the rule. There is clearly no  
3 reason to believe that a one-time adjustment—restoring the surcharge to its  
4 previous level of 6.95%—would cause confusion among customers, particularly in  
5 light of the fact that the change would be (on average) somewhere between  
6 thirty-five and forty-five cents. It would certainly cause no more confusion than  
7 the constant adjustments to the federal universal service fund surcharge that  
8 Nebraska customers see every month.

9  
10 In Embarq's experience, we have no history of receiving significant numbers (or  
11 even insignificant numbers) of customer inquiries that are directly related to the  
12 constant changes we see (and they see) in the federal USF surcharge. I would  
13 doubt that Mr. Ruhland's customers are any different than Embarq's in that  
14 regard. And the reason is exactly as discussed above: minor changes to  
15 customers' bills are the norm, not the exception. The proposed adjustment to the  
16 surcharge is one such small change; it represents a one-time correction of very  
17 small magnitude.

18  
19 However, despite the fact that it is unlikely there would be even the slightest  
20 amount of confusion, if there were any concerns at all—justified or not—then

1 any potential confusion is easily avoided by providing customers with a simple  
2 one-or-two sentence explanation of what is taking place. Such a notice might  
3 read as follows:

4 In 2005 the Nebraska Universal Service Fund (NUSF) surcharge was  
5 reduced by thirty-five cents to take advantage of a temporary surplus  
6 in the fund. That surplus has since been depleted; accordingly, with  
7 this notice the surcharge returns to its regular level.  
8

9 This is, of course, exactly what would be happening: the surcharge would be  
10 returned to its earlier level, a level that is required to fund the NUSF. It is not  
11 confusing; in fact, it could not be more straight-forward.  
12

13 In summary, the majority of Nebraska customers see their bills change monthly  
14 for a variety of reasons. A one-time change that restores the surcharge to its  
15 correct level will not produce confusion among Nebraska residents. It is  
16 necessary for the continued health of the NUSF and the continued assurance that  
17 all residents of this state—particularly those in highest-cost areas—continue to  
18 receive quality service at affordable prices.  
19

20 **Q. Does this conclude your reply testimony?**

21  
22 **A.** Yes it does.